

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**

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Order Instituting Rulemaking Regarding Policies, )  
Procedures and Incentives for Distributed ) Rulemaking 04-03-017  
Generation and Distributed Energy Resources )  
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**RESPONSE OF ALLIANCE POWER INC. IN SUPPORT OF  
FUEL CELL ENERGY INC.'S PETITION FOR MODIFICATION  
OF DECISION 04-12-045**

Pursuant to Rule 16.4(f) of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, Alliance Power Inc. submits this Response in support of Fuel Cell Energy Inc.'s ("FCE's") petition for modification of Decision 04-12-045 ("Petition").

Alliance Power Inc. strongly supports FCE's request to increase the limit of incentive payments available under the Self-Generation Incentive Program ("SGIP") from the current cap of 1 MW to 3 MWs for the following reasons:

**The SGIP program has proven itself, and the time is right to build on past SGIP successes.**

**An increase in the SGIP incentive cap from 1 MW to 3 MWs is needed to provide adequate incentives for the renewable biogas market for fuel cell technology at waste water treatment plants, landfills and other host facilities that need larger scaled projects in order to be cost-effectively developed and implemented.**

**An increase in the SGIP incentive cap from 1 to 3 MWs is needed for natural gas supplied fuel cell projects to provide adequate incentives to larger users of electrical and thermal energy that would allow the implementation of more efficient fuel cell technologies which utilize less fuel and produce less adverse air emissions than other equivalent base-load energy supply alternatives.**

**An increase in the SGIP incentive cap from 1 to 3 MWs is needed for both renewable biogas and natural gas supplied fuel cell projects to provide adequate incentives to larger users of electrical and thermal energy that are increasingly, on a voluntary basis, choosing to reduce green house gas emissions ahead of AB32 implementation.**

**The potential benefits to host customers and ratepayers, in our opinion, clearly justify increasing the SGIP incentive cap from 1 to 3 MWs for both renewable biogas and natural gas supplied fuel cell projects.**

## **I. Introduction**

Alliance Power Inc. currently and in the past has an active interest in implementing and achieving the goals and objectives of the SGIP program. We agree that increasing the SGIP incentive cap from 1 to 3 MWs would provide new impetus to development of larger distributed generation (“DG”) applications, and help encourage further innovation and expansion of DG applications at a time when the state urgently needs distributed energy using either renewable biogas or the most efficient use of natural gas fuel supplies.

## **II. We agree with FCE that the SGIP Program effectively encourages small DG technologies but does not do so for larger DG technologies.**

The economic value proposition to all stakeholders is enhanced with larger DG systems. There is an increasing market demand for DG between 1 and 3 MWs that more closely meet the requirements of end user customers. There is currently a void in the marketplace in California particularly in areas that are exposed to air quality constraints that prevent many of the engine driven prime movers utilized in the past to be used due to ever increased ratcheting of air quality standards throughout the State. Voluntary attempts by State, Federal, Industrial and Commercial customers to reduce green house gas emissions ahead of AB32 regulations are currently thwarted as they attempt to utilize waste heat from highly efficient combined heat and power cogeneration projects to offset existing boilers and chillers. These customers are demanding higher efficiency out of any fuel source and many could reduce energy costs and adverse emissions to a great extent by installing larger DG units.

FCE is correct in stating that larger customers cannot participate in SGIP because the MW cap on incentives deter larger installations as they become uneconomical and too risky to develop for only a single, 1 MW for many large customers. Development is further hindered when a developer or end user customer attempts to match thermal loads at a customer site to maximize the reductions of green house gases emissions within the spirit and intent of AB32 and particularly acute when using renewable fuel sources such as methane gas or waste hydrogen.

Raising the cap to encourage new, larger applications will not negatively affect smaller projects, since the two groups are reaching different customers. If the Commission is concerned about running out of funding, it can monitor participation, distribute money

between large and small, or (best solution) increase the budget to ensure that both large and small DG markets grow.

**III. Encouraging development of new markets for larger fuel cell DG applications will have many positive benefits to the electric supply system in California.**

Larger fuel cell DG projects will provide have many benefits to the utility systems in California including:

- Decrease the greenhouse gas emissions per MWH of baseload electricity and thermal load supplied as compared to the existing electrical grid and heaters or boilers used by customers,
- Reduce electrical transmission and distribution grid constraints within the local utility areas where, typically, the projects are implemented,
- Directly offset the amount of new generation capacity that must be constructed in the near future to meet ever growing baseload electricity demand projections, and
- Eliminate the CO, NOx, particulate, and SOx air emissions (and the associated adverse health impacts) that would otherwise be emitted by the other types of combustion-fired power generation systems that would be used if renewable biogas or natural gas supplied fuel cell projects are not developed and implemented.

In conclusion, Alliance Power Inc. strongly recommends an increase in the SGIP MW limit to at least 3 MW's.

Dated: August 29, 2007

Respectfully submitted,  
Alliance Power Inc.

/s/

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PROOF OF SERVICE

I declare that:

I am employed in the County of Sacramento, State of California. I am over the age of eighteen years and am not a party to the within action. My business address is ELLISON, SCHNEIDER & HARRIS; 2015 H Street; Sacramento, California 95814-3109; telephone (916) 447-2166.

On August 29, 2007, I served the attached *Response of Alliance Power Inc. in Support of Fuel Cell Energy Inc.'s Petition for Modification of Decision 04-12-045* by electronic mail or, if no e-mail address was provided, by United States mail at Sacramento, California, addressed to each person shown on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on August 29, 2007, at Sacramento, California.

\_\_\_\_\_  
/s/

Karen A. Mitchell

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